



General Assembly

January Session, 2009

**Committee Bill No. 5201**

LCO No. 3405

\*03405HB05201BA\_\*

Referred to Committee on Banks

Introduced by:  
(BA)

***AN ACT PROVIDING RELIEF TO HOMEOWNERS IN FORECLOSURE.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1       Section 1. (NEW) (*Effective July 1, 2009*) As used in sections 2, 5 and  
2       6 of this act:

3       (1) "Authority" means the Connecticut Housing Finance Authority  
4       created under section 8-244 of the general statutes;

5       (2) "First mortgage" means such class of first liens as are commonly  
6       given to secure loans on, or the unpaid purchase price of, real estate  
7       under the laws of this state, together with appropriate credit  
8       instruments;

9       (3) "Homeowner" means the owner-occupant of a one-to-four family  
10      residential real property located in this state, including, but not limited  
11      to, a single-family unit in a common interest community, who has a  
12      first mortgage encumbering such real property; and

13      (4) "Lender" means the original lender under a first mortgage, or its  
14      agents, successors or assigns.

15       Sec. 2. (NEW) (*Effective July 1, 2009*) (a) The authority is authorized  
16       to develop a fifty per cent mortgage guaranty program to guarantee,  
17       on a pro-rata basis, fifty per cent of the value of first mortgage loans  
18       that enter foreclosure proceedings during the period commencing on  
19       July 1, 2009, and ending on June 30, 2012. The purpose of the program  
20       shall be to enable homeowners facing foreclosure to obtain mortgage  
21       credit for the refinancing of existing mortgages. Such program shall be  
22       undertaken by the authority consistent with and subject to its  
23       contractual obligations to its bondholders, subject to the amount  
24       available in the Mortgage Guaranty Fund established under section 6  
25       of this act and under the terms and conditions determined by the  
26       authority.

27       (b) The authority shall implement such fifty per cent mortgage  
28       guaranty program in accordance with the provisions of this section.  
29       Under the program, the authority shall guarantee, on a pro-rata basis,  
30       fifty per cent of the value of first mortgages held by Connecticut banks  
31       and granted to eligible homeowners. A homeowner shall be eligible for  
32       the program if (1) the lender initiated a foreclosure action on the  
33       homeowner's first mortgage during the period commencing on July 1,  
34       2009, and ending on July 1, 2012; (2) the lender has agreed to adjust the  
35       interest rate on the homeowner's first mortgage to be equal to the  
36       prevailing United States Treasury rate for mortgages of a similar term  
37       plus two and one-half per cent; (3) the lender is a Connecticut bank, as  
38       defined in section 36a-2 of the general statutes; and (4) the homeowner  
39       meets all of the eligibility requirements for the authority's mortgage  
40       assistance programs for low or moderate income families or persons as  
41       authorized by section 8-265g of the general statutes, except (A) the  
42       homeowner is not required to be a first-time home buyer, and (B) the  
43       current foreclosure action shall not be considered when determining  
44       the homeowner's creditworthiness or credit score.

45       (c) Mortgage loan guaranties issued by the authority under the  
46       provisions of this section shall be in the form of a guaranty from the  
47       authority to an approved lender. Homeowners may participate in the

48 program by entering into a mortgage guaranty agreement with the  
49 authority. Lenders participating in the program shall process any  
50 underwrite loan guaranties in accordance with this section, any  
51 written procedures prescribed by the authority for purposes of this  
52 section and in accordance with the terms of the mortgage loan  
53 guaranty agreement.

54 (d) Any lender seeking a mortgage loan guaranty and any  
55 homeowner seeking to have a loan guaranteed shall provide such  
56 information to the authority as the authority deems necessary. The  
57 information shall be provided on a form prescribed by the authority.  
58 Any information required by the authority in connection with an  
59 application for a mortgage loan guaranty shall be provided subject to  
60 the penalty for false statement under section 53a-157b of the general  
61 statutes. No guaranty shall be valid until approved by the authority.

62 Sec. 3. (NEW) (*Effective July 1, 2009*) The authority shall adopt  
63 procedures in accordance with section 1-121 of the general statutes to  
64 implement the provisions of section 2 of this act.

65 Sec. 4. Subsection (a) of section 8-251 of the general statutes is  
66 repealed and the following is substituted in lieu thereof (*Effective July*  
67 *1, 2009*):

68 (a) In order to provide additional construction and permanent  
69 financing for housing in this state, the authority is authorized to make  
70 commitments to purchase, and to purchase, service and sell mortgages  
71 and to make loans directly upon the security of any mortgage, and to  
72 make commitments to purchase, and to purchase and sell participation  
73 sale certificates representing interests in mortgages, provided the  
74 underlying mortgage loans shall have been made and shall be used  
75 solely to finance or refinance the construction, rehabilitation, purchase  
76 or leasing of housing in this state, and provided further the aggregate  
77 amount of permanent mortgages, mortgage-backed securities and  
78 participation sale certificates representing interests in mortgages  
79 purchased, and permanent loans made by the authority which are not

80 directly or indirectly insured or [guaranteed] guarantied by any  
81 department, agency, instrumentality of the United States of America,  
82 or public corporation chartered by the Congress of the United States,  
83 including but not limited to the Federal Home Loan Mortgage  
84 Corporation, or which are not insured or [guaranteed] guarantied by  
85 any department, agency or instrumentality of the state, any insurance  
86 company licensed to do business in the state and authorized to  
87 underwrite mortgage insurance or by the authority shall not at any one  
88 time exceed one billion [five] six hundred million dollars.

89 Sec. 5. (NEW) (*Effective July 1, 2009*) (a) For the purposes described  
90 in subsection (b) of this section, the State Bond Commission shall have  
91 the power, from time to time, to authorize the issuance of bonds of the  
92 state in one or more series and in principal amounts not exceeding in  
93 the aggregate one hundred million dollars.

94 (b) The proceeds of the sale of said bonds, to the extent of the  
95 amount stated in subsection (a) of this section, shall be deposited in the  
96 Mortgage Guaranty Fund established pursuant to section 6 of this act  
97 and shall be used by the Connecticut Housing Finance Authority for  
98 the purpose of making mortgage loan guaranties pursuant to the  
99 mortgage loan guaranty program under section 2 of this act.

100 (c) All provisions of section 3-20 of the general statutes, or the  
101 exercise of any right or power granted thereby, which are not  
102 inconsistent with the provisions of this section are hereby adopted and  
103 shall apply to all bonds authorized by the State Bond Commission  
104 pursuant to this section, and temporary notes in anticipation of the  
105 money to be derived from the sale of any such bonds so authorized  
106 may be issued in accordance with said section 3-20 and from time to  
107 time renewed. Such bonds shall mature at such time or times not  
108 exceeding twenty years from their respective dates as may be provided  
109 in or pursuant to the resolution or resolutions of the State Bond  
110 Commission authorizing such bonds. None of said bonds shall be  
111 authorized except upon a finding by the State Bond Commission that

there has been filed with it a request for such authorization which is signed by or on behalf of the Secretary of the Office of Policy and Management and states such terms and conditions as said commission, in its discretion, may require. Said bonds issued pursuant to this section shall be general obligations of the state and the full faith and credit of the state of Connecticut are pledged for the payment of the principal of and interest on said bonds as the same become due, and accordingly and as part of the contract of the state with the holders of said bonds, appropriation of all amounts necessary for punctual payment of such principal and interest is hereby made, and the State Treasurer shall pay such principal and interest as the same become due.

Sec. 6. (NEW) (*Effective July 1, 2009*) The Connecticut Housing Finance Authority shall establish a fund to be known as the "Mortgage Guaranty Fund". The fund shall contain proceeds from the sale of bonds pursuant to section 5 of this act. Moneys in the fund shall be expended by the authority for the purposes of supporting the guaranty of mortgage loans pursuant to the mortgage guaranty program established under section 2 of this act.

Sec. 7. Subdivision (38) of section 8-250 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2009*):

(38) To extend mortgage loan [guarantees] guaranties to mortgage lending institutions to refinance residential mortgage loans (A) when a decrease in the appraised value of the real property securing the mortgage precludes such lending, or (B) as part of the mortgage guaranty program established under section 2 of this act.

This act shall take effect as follows and shall amend the following sections:

Section	<i>July 1, 2009</i>	New section
Sec. 2	<i>July 1, 2009</i>	New section

Sec. 3	<i>July 1, 2009</i>	New section
Sec. 4	<i>July 1, 2009</i>	8-251(a)
Sec. 5	<i>July 1, 2009</i>	New section
Sec. 6	<i>July 1, 2009</i>	New section
Sec. 7	<i>July 1, 2009</i>	8-250(38)

**Statement of Purpose:**

To provide relief to homeowners in foreclosure.

*[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]*

Co-Sponsors: REP. STRIPP, 135th Dist.

H.B. 5201